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The Manufacturers Hanover
Financial Digest
Economic Commentary, Selected Financial Data, and Business Indicators

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The Big Apple's Job Growth . . .

New York City's economy prospered in 1985 along with the U.S. economy. With 3.5 million jobs, the City's employment was at its highest level since 1973. A total of 51,000 new jobs was added to payrolls last year on the heels of a record 79,000 new positions created in 1984. Not since 1969 did the City generate employment gains of more than 50,000 a year for two consecutive years. Last year's employment gains, however, were again confined to nonmanufacturing industries. The shakeout in manufacturing employment continued, as more than 22,000 factory jobs were lost during the year.

In the private nonmanufacturing sector, employment gains were posted across a broad spectrum of industries. Paced by strong gains in business and legal services, the service sector—the largest single source of employment in the City—added 32,600 new jobs to its payrolls. As a result, the job count in that sector climbed to an all-time high of over 1,038,000 in 1985. The trade sector increased its employment by 11,200 positions, while construction hired 10,700 workers. Although construction contributed only one of every five new jobs created last year, it was the leading industry in the City in terms of its rate of growth. Construction employment surged 11.3 percent last year from its 1984 level. By comparison, employment in the service sector, which contributed two of every three new jobs created last year, increased by only 3.2 percent. Growth in construction employment nationwide, rising by only 7.3 percent, also did not match New York City's performance.

. . . Is Paced By Services . . .

After a glimmer of hope in 1984, when the factory job count dipped by only 3,000 compared with an average of 20,000 factory jobs lost annually in the five preceding years, manufacturing employment resumed its plunge in 1985. More than 22,000 factory jobs were lost last year, representing an erosion of 5.2 percent of the City's 1984 manufacturing base. Thus, the transition toward a service-based economy in New York City is clearly continuing, and the work force is increasingly being dominated by white-collar positions.

Since 1977, when the City's economic resurgence from the painful fiscal crisis of the mid-1970s began, New York City has gained almost 430,000 nonmanufacturing jobs while manufacturing employment has shrunk by more than 131,000 positions—a decline of 24.4 percent. In other words, one in every four factory jobs in the City disappeared in less than a decade. As a result of these declines, manufacturing employment in New York City averaged only 407,000 in 1985, the lowest level in the postwar period. In comparison, in 1950 the City's factories employed more than a million people.

Nationally, manufacturing employment rebounded in 1984 with an increase of over five percent, and inched up another 0.1 percent last year. The problems of the manufacturing sector nationwide are often attributed to the decline of mature, smokestack-type durable goods industries. Such industries, however, account for a very small percentage of factory jobs in the City. The City's manufacturing base is dominated by nondurable manufacturing which employs nearly three of every four factory workers.

It would appear that the main reason for the City's manufacturing decline is a continuing deterioration in its competitive position as a site for this type of activity. For example, the American apparel industry has suffered from severe foreign competition in recent years. However, losses in that industry's employment in New York City—it is the largest manufacturing employer—were much greater than nationally. Printing and publishing—the second largest manufacturing industry in the City—has been one of the fastest growing manufacturing sectors nationally. In the last four years, its employment expanded by more than 12 percent. In New York City, however, printing and publishing payrolls shrunk by three percent in the same period.

. . . While Manufacturing Declines

The composition of the City's employment growth has changed in recent years. Between 1978 and 1982, banking, finance, insurance and real estate and other services provided the strongest increase in new job creation, but this is no longer true. The banking sector, for example, hired an average of

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about 9,000 people annually between 1979 and 1982, in the past three years, however, New York City banks reduced their payrolls by almost 4,000 positions. On the other hand, employment in retail and wholesale trade, which had shrunk almost 20 percent between 1963 and 1983, rebounded with an increase of more than 20,000 new jobs in 1984 and another 11,200 in 1985. At the same time, all levels of government began adding to their payrolls as the City's and the State's financial difficulties eased. Government employment increased by more than 30,000 in the last two years, a sea change from the 1960s.

The City's increasing prosperity is no longer limited to Manhattan. Although much of the post-1977 employment growth has been centered primarily in Manhattan, by 1984 other boroughs began to reap benefits from a strong resurgence of the City's economy as well. In the past two years, employment increased in all five boroughs. However, whereas in 1984 Manhattan accounted for more than half of all employment gains city-wide, in the first half of 1985 job growth in the boroughs outside Manhattan contributed two-thirds of the City's job increase. It was the first time since 1965 that the employment growth of the other boroughs exceeded Manhattan's.

The turnaround was most noticeable in Queens.

Selected Federal Reserve Data

	Week Ending 3/12/86		
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	183,389	– 307	+15,822
Loans to Depository Inst.	754	+ 100	– 1,284
Float	783	+ 404	+ 277
Total Reserve Bank Credit	200,181	+ 488	+18,864
Treasury Deposits with Federal Reserve Banks	3,496	– 981	– 565
Currency in Circulation	192,432	+ 1,110	+13,002
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	133,307	+ 606	+15,841
	3/12/86		
Member Bank Reserves:			
Total Reserves Held	45,731	+ 776	+ 5,654
Excess (Deficiency)	909	– 127	+ 127
Net Free Reserves	680	+ 238	+ 539
Monetary Aggregates †			
M1 (3/17/86)	638.4	+ 7.1‡	+ 11.2‡
M2 (February '86)	2,577.0	+ 4.1	+ 6.4
M3 (February '86)	3,239.8	+ 7.3	+ 6.8
Domestic Nonfinancial Debt (4th Q'85)	6,867.9	+ 19.2	+ 14.7

†Seasonally adjusted. * Seasonally adjusted annual rate. ‡ Four-week moving average.

New York Money Market

Offering Rates 3/27/86	1 Month	3 Months	1 Year
‡ U.S. Treasury Bills	6.36%	6.34%	6.39%
* Federal Agencies	6.70	6.58	6.56
* Municipal Notes–High Grade (46% Taxable Equivalent)	7.59	7.69	8.33
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market–Prime	7.14	7.10	7.10

‡ Finance Company Paper–Prime		‡* Bankers' Acceptances	
5- 14 days	7.25%	Apr.	7.20%
15- 29 days	7.25	May	7.10
30- 59 days	7.25	Jun.	7.00
60- 89 days	7.20	Jul.	6.95
90-179 days	7.12	Aug.	6.90
180-239 days	6.90	Sep.	6.80
240-270 days	6.90		

‡ Industrial Paper–Prime			
30- 89 days	7.25%	†Federal Funds Effective Rate	7.40%
90-120 days	7.15		

‡ Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

		Latest Period	Previous Period	1 Year Ago Period
Gross National Product (Current Dollars)*	4th Q'85	$ 4,059r	$ 4,017	$ 3,853
Gross National Product (1982 Dollars)*	4th Q'85	$ 3,591r	$ 3,584	$ 3,516
Percent Change, Annual Rate	4th Q'85	0.7r	3.0	0.6
Change in Consumer Prices*	Feb '86	4.8%	3.6%	3.6%
Change in Producer Prices*	Feb '86	19.2%	– 8.4%	0.0%
Civilian Employment (Thousands of Persons) †	Feb '86	108,561	108,955	106,587
Unemployment as % of Civilian Labor Force †	Feb '86	7.3%	6.7%	7.3%
Personal Income*	Feb '86	$ 3,406	$ 3,387r	$ 3,247
Leading Indicators Composite Index (1967=100) †	Jan '86	173.0	174.0	166.3
Industrial Production Index (1977=100) †	Feb '86	125.7	126.5	123.7
Net Change in Consumer Installment Credit †	Jan '86	$ 6.88	$ 5.62	$ 7.22
U.S. Merchandise Trade Balance †	Feb '86n	$ 12.49	–$ 14.42r	–$ 11.45
Plant and Equipment Expenditures*	1st Q'86	$402.13(a)	$388.98(a)	$371.16
Private Housing Starts (Thousands of Units)*	Feb '86n	1,985	2,056r	1,632
New Construction Expenditures*	Jan '86	$ 357.3	$ 354.0	$ 341.0
Total Business Inventories †	Jan '86	$ 588.1	$ 584.0	$ 575.0
Total Business Sales †	Jan '86	$ 433.5	$ 435.0	$ 417.4

*Seasonally adjusted annual rate. †Seasonally adjusted. n-Newly reported figure. r-Revised. a-Anticipated.

Paced by strong increases in services, trade and construction, the borough's employment increased by almost 11,000 between January and June 1985, surpassing an increase of only 10,000 new positions in Manhattan.

As every commuter knows, New York City draws its labor force from the entire metropolitan region encompassing 22 counties of New York, New Jersey and Connecticut. However, New York City residents benefited from the improved opportunities in the last two years to a greater extent than in prior years, when the bulk of new jobs was filled by suburban residents. Almost 200,000 of City residents entered the ranks of jobholders in the last two years, whereas in the two preceding years, the number of residents working declined by almost 76,000. In fact, last year, the number of employed City residents hit the highest level in a decade, as a record 163,000 residents found new jobs. Consequently, the City's jobless rate fell to 8.1 percent of the labor force in 1985 from 8.9 percent a year earlier. It remained, however, well above the 7.2 percent average unemployment rate for the country as a whole and 6.5 percent of the jobless rate in New York State. Although the number of unemployed New Yorkers declined 13,000 in 1985 from the previous year, 265,000 residents of the City were still unable to find employment in 1985. H

Short Term Paper Outstanding

		Change Since	
	Latest Week	Week Ago	Year Ago
Time Deposits of $100,000 or more Weekly Reporting Banks			
Nationwide (3/12/86)	162,793	— 263	+ 5,853
New York City (3/5/86)	36,708	— 267	+ 3,096
Commercial Paper (3/5/86)	297,456	+ 111	+48,813

Bank Loans

Commercial and Industrial Loans

		Change Since	
	Latest Week	Week Ago	Year Ago
Weekly Reporting Large Commercial Banks			
Nationwide (3/12/86)	258,794	— 794	+ 2,308
New York City (3/5/86)	58,951	+ 586	— 3,380

Total Loans and Leases Gross Adjusted

		Change Since	
	Latest Week	Week Ago	Year Ago
Nationwide (3/12/86)	732,658	— 1,640	+ 68,667
New York City (3/5/86)	164,010	+ 7,088	+ 20,529

Financial Markets

	Thursday 3/27/86	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	6.53%	— .06	— 1.92
180-Day Bills†	6.61	— .20	— 2.42
Longest Bills†	6.79	— .19	— 2.67
Recent Issues:			
8s 2/29/88	7.03	— .12	
8 3/8s 12/31/89	7.18	— .17	
8 7/8s 2/15/96	7.50	— .29	
9 1/4s 2/15/16	7.66	— .32	
Municipals:			
Bond Buyer—20 Bond Index* (3/26/86)	7.21%	— .13	— 2.54
Blue List Total ($ Million)	$1,718	-$ 130	+ $ 255
30-Day Visible Supply ($ Million)	$3,609	+$ 853	— $ 378
Total	$5,327	+$ 723	— $ 123
Corporates:			
Moody's Aa Composite (3/26/86)	9.46%	— .06	— 3.48
30-Day Visible Supply ($ Million)	$5,070	+$2,610	+ $4,595
Stocks:			
Dow Jones Averages:			
Industrials	1,821.72	+ 17.48	+ 554.94
Transportation	828.39	+ 16.32	+ 225.31
Utilities	191.53	+ 6.88	+ 38.42
65 Stocks	717.13	+ 11.52	+ 202.02
N.Y.S.E. Composite Index	137.69	+ 1.56	+ 33.09
N.Y.S.E. Avg. Daily Vol. for Week (000's)	156,010	— 492	+ 62,694

* 46% Taxable equivalent 13.35%.

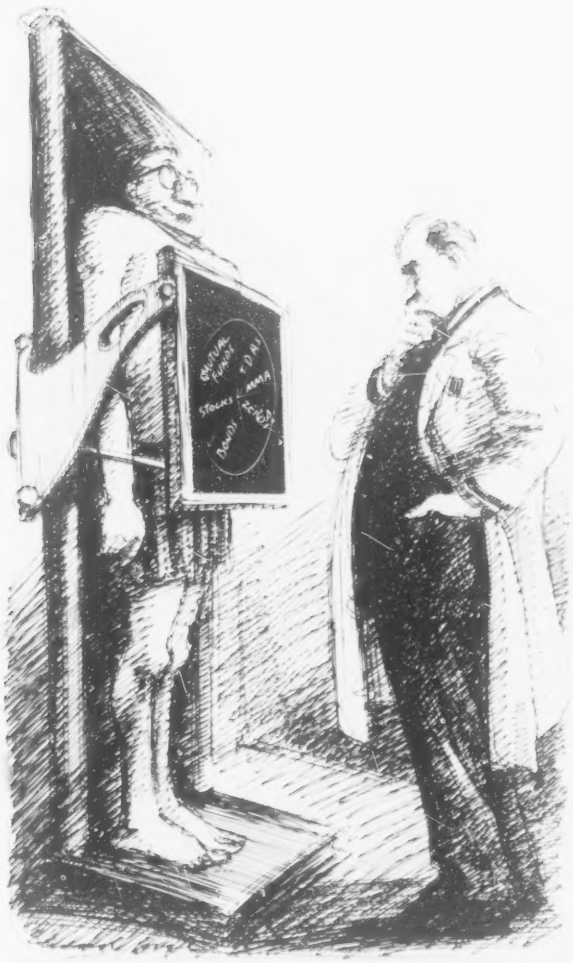
† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Thursday 3/27/86	Week Ago
Overnight	7.88%	7.13%
1 month	7.38	7.50
3 month	7.31	7.38
6 month	7.31	7.38
1 year	7.31	7.44
EURODOLLAR BONDS Average Yield		
Medium Term (5 to 7 yrs.)	7.86%	7.98%
Long Term (7 to 15 yrs.)	8.30	8.59

FOREIGN EXCHANGE SPOT RATES New York Opening (3/27/86)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02106	47.48
Canada	.7146	1.3993
Denmark	.1168	8.5600
France	.1403	7.1300
Germany	.4317	2.3163
Italy	.0006345	1576.00
Japan	.005574	179.42
Mexico	.002068	483.50
Netherlands	.3828	2.6120
Switzerland	.5156	1.9395
U.K.	.6732	1.4855

How healthy is your IRA?



An IRA doesn't grow big and strong all by itself.

It needs a balanced diet.

For resistance to the chill winds of inflation and an unpredictable market, an IRA portfolio should include more than one type of investment.

So Manufacturers Hanover Trust offers time deposits, a money market account, two no-load mutual funds, stocks, bonds, and zero coupon treasuries.

It needs good reflexes.

To take advantage of unexpected opportunities (like a surge in the stock market), IRA money must be able to move fast. So we offer same-day telephone transfers. And a toll-free IRA hotline to help you reach informed decisions quickly.

How healthy is your IRA? Take the IRA Challenge and find out.

Our IRA Challenge is a point-by-point checklist to compare your IRA with ours. It details all our special IRA services and investments, and you'll find it at any Manufacturers Hanover branch. Or if you just want more information, call us at **1-800-MHT-BANK.**

Once you take our challenge, we think you'll move your IRA to our bank.

For its health.

We realize your potential.

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